BEFORE THE FEDERAL COMMUNICATIONS COMMISSION WASHINGTON, D.C. 20554

In the matter of)	
)	
Over-the-Air Broadcast Television)	MB Docket No. 04-210
Viewers	ì	

REPLY COMMENTS OF PAXSON COMMUNICATIONS CORPORATION

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SUMMARY

The evidence produced in response to the Commission's *Public Notice* in this proceeding confirms that widespread service disruptions will ensue if the Commission insists on forcing an accelerated DTV transition under current regulatory conditions.

Accordingly, the Commission must:

- (1) Extend the DTV transition in every market until 85% of viewers have the capability of receiving an over-the-air DTV signal or it will both violate the law and cause widespread television service disruptions particularly to the aged, the poor, and minorities;
- (2) Order full digital multicast must-carry without further delay to speed consumer adoption of over-the-air DTV technology and satisfy the law; and
- (3) Set dates for the remaining 700 MHz auctions while reaffirming the existing voluntary band-clearing policies to ensure the earliest possible 700 MHz spectrum return.

These policies are necessary to ensure that all American, particularly the poor, minorities, and the aged, are protected from the loss of relied-upon, over-the-air television service. Each of these acts would proactively encourage consumers to actually adopt DTV technology, bringing about a real transition – not the phony transition that would be brought about by counting all MVPD subscribers as having converted to DTV. These three actions would bring the regulatory certainty needed to kick the DTV transition into high gear next year and, with luck, to bring a real DTV transition before the end of this decade.

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REPLY COMMENTS OF PAXSON COMMUNICATIONS CORPORATION

Paxson Communications Corporation ("PCC") hereby submits these reply comments in the above-captioned proceeding.¹ The comments in this proceeding confirm that:

- (1) The Commission must extend the DTV transition in every market until 85% of viewers have the capability of receiving an over-the-air DTV signal or it will both violate the law and cause widespread television service disruptions particularly to the aged, the poor, and minorities;
- (2) The only way to speed consumer adoption of over-the-air DTV technology and thereby satisfy the law and avoid service disruptions is to require full digital multicast must-carry without further delay; and
- (3) Voluntary band-clearing, coupled with immediate auctions of the remaining 700 MHz spectrum at the earliest possible date, is the strategy most likely to lead to early recovery of the 700 MHz spectrum for public safety and new wireless services.

INTRODUCTION

As PCC showed in its initial comments, congressional directives forbid the Commission from allowing the DTV transition to end in any market until at least 85% of viewers owns the equipment necessary to receive an over-the-air DTV signal.

¹ Media Bureau Seeks Comment on Over-the-Air Broadcast Television Viewers, *Public Notice*, DA 04-1497, MB Docket No. 04-210 (rel. May 25, 2004) (the "*Notice*").

Congress has *not* left the Commission with discretion to attempt quick fixes like counting all MVPD subscribers towards the 86% over-the-air DTV reception threshold. Nonetheless, the Commission asked in its *Notice* for demographic analyses that would help it to determine who those viewers are that continue to rely on over-the-air broadcasting. The parties to this proceeding have provided a plethora of survey findings, all of which show that the quick transition that many are now advocating will leave millions of viewers – particularly aged, poor, and minority viewers – without service and will impair service to the millions more who rely in-part in their hoseholds on over-the-air service. These service losses would be unconscionable and the Commission therefore must interpret Congress's 85% DTV-receiver penetration threshold to minimize, if not eliminate entirely, these all-too-predictable service disruptions. Indeed, the plain language of the statute and every relevant policy consideration demands that the Commission extend the transition in every market until 85% of viewers are capable of receiving DTV signals over-the-air.

The only regulatory tool that the Commission has left to jump-start over-the-air DTV penetration is full digital multicast must-carry. HDTV has had years to stimulate consumer adoption of DTV and has failed entirely. Only multicasting has the potential to provide significant new services that would make consumers consider adopting DTV technology. And multicasting will reach this potential only if the Commission follows the law and orders full digital multicast must-carry. At this point, any other course is a recipe for a very long and hotly contested DTV transition.

The Commission also sought comment on strategies for clearing the 700 MHz band for public safety and new wireless services. As PCC demonstrated in its

comments, the Commission's existing voluntary, market-driven band-clearing policies are most likely to bring about band-clearing in the near-term, and no party provided any plan that is as detailed or as likely to succeed. Indeed, the only common theme of those parties supporting forced band-clearing was a reluctance to make any financial contribution whatsoever to the DTV transition. Just as in 2002 when it forced the Commission to stop the 700 MHz auctions, the wireless industry is intent on gaining all the benefits from the DTV transition while letting other parties – specifically broadcasters – make all the sacrifices. To ensure that the 700 MHz spectrum becomes available for public safety and new wireless services as quickly as possible, the Commission should announce that it will schedule the remaining 700 MHz auctions before the end of the year and promote its existing voluntary band-clearing mechanisms.

- I. THE COMMISSION MUST READ THE 85% DTV-TENER PENETRATION THRESHOLD STRICTLY BECAUSE WIDESPREAD SERVICE DISRUPTIONS WILL RESULT FROM A SHORT-CUT TRANSITION.
 - A. A Quick Transition Will Deprive Millions of Americans Particularly America's Most Vulnerable Poor, Minority, and Aged Populations of Over the Air Television Service.

PCC long has maintained that the Commission must interpret Congress's 85%

DTV tuner penetration threshold in the most demanding possible way to ensure that massive television service disruptions do not result from the DTV transition. The Commission must read the statute to reflect Congress's desire that the transition continue until at least 85% of American television viewers have made the transition to DTV – that is to say, until 85% of Americans can receive over-the-air DTV signals. This is the only interpretation that squares with the language and the intent of the statute while ensuring that service disruptions are minimized for the millions

of Americans who continue to rely in whole or in part on over-the-air television.

Nonetheless, in an effort to close the transition, the Commission has entertained alternative readings of the statute that would allow it to cut corners and accelerate the end-date for the transition by, for example, counting every MVPD subscriber as having transitioned to DTV. The *Notice* appears to have been designed to determine the likely effects of that legally indefensible policy choice. The comments in this proceeding show that the effects would be extreme and would do great damage to the public interest.

The comments unambiguously confirm PCC's view that a premature end to the DTV transition would cause severe service disruptions. The comments show that between 13 – 18% of all viewers continue to rely *exclusively* on over-the-air broadcast television – that is, as many as 20.3 million television households.² PCC's own research indicates that 26% of its regular viewers rely exclusively on over-the-air broadcasting, suggesting that early termination of analog service would fall heavily on viewers that favor family-oriented programming. Moreover, another 18.3 million MVPD households depend on over-the-air television on some number of televisions in their home. Every person in these 38.6 million households will lose relied-upon analog service if the Commission insists on putting the DTV transition on a fast track regardless of its impact. There is simply no way that Congress intended this widespread disenfranchisement when it instructed the Commission to shepherd the DTV transition to a successful conclusion.

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² NAB Comments, Attachment A at 3; Sinclair Comments at 4. I n contrast, there are approximately 177,000 television households that rely solely on over-the-air DTV reception capability. NAB Comments at n.14.

But it gets worse because the comments in this proceeding show that the brunt of this obsolescence will fall on minority viewers, the elderly, and the poor. Univision, Entravision, and the MMTC provide considerable evidence that significantly higher than average percentages of minority viewers continue to rely on over-the-air television. Univision, for example, indicates that 33% of Spanish-speaking households rely exclusively on over-the-air broadcasting and that the number actually is increasing rather than decreasing.³ Univision's research shows that in Los Angeles, 40% of Spanish-speaking viewers rely exclusively on over-the-air television and that a full twothirds of those viewers relies at least in-part on over-the-air signals.⁴ Similarly, Entravision pointed out that Spanish-speakers rely on over-the-air broadcasting, particularly in the Mexican border region, at a rate that roughly doubles the average rate for all viewers.⁵ This is a significant cultural issue because Entravision points out that many new immigrants rely on Mexican over-the-air analog broadcasting which is likely to continue long after the U.S. DTV transition is complete. Television is by far the most important tool for culturally integrating immigrants into mainstream American culture. How will we immigrants living in the border region into citizens if they continue to rely on over-the-air analog television from Mexico using televisions that cannot even receive over-the-air DTV? The disparate impact that a quick transition will have on minority viewers is simply another fact that should dissuade the Commission from an MVPD-driven end-date for the DTV transition.

³ Univision Comments at 8.

⁴ *Id.*

⁵ Entravision Comments at 1-2.

But minorities are not the only vulnerable groups that will suffer if the Commission prematurely ends the DTV transition. Disney's surveys of New York and Los Angeles provide persuasive evidence that over-the-air television continues to be favored by lower-income and elderly households, as well as among the unemployed. Accordingly, if the Commission abandons over-the-air television by pushing an early analog termination date, it will be depriving the most vulnerable viewers of all television service.

B. The Commission Must Take Responsibility for the Tens of Millions of Obsolete Analog Television Sets that It Has Permitted To Be Sold to Consumers Without Adequate Warning.

This situation was all too predictable given that the Commission has permitted and continues to permit the sale of inexpensive analog-only television sets despite knowing that these sets will become obsolete as over-the-air receivers as soon as the transition ends. At least 280.5 million analog-only sets are in use in the U.S., while only the tiniest fraction of that number of DTV-capable receivers are currently in American homes. By the Commission's last count, only 700,000 DTV sets with built-in tuners have even been sold – a disturbing number given the Commission's emerging enthusiasm for a quick transition. NAB estimates that 73 million televisions currently are used to receive only over-the-air signals, including 28 million that are secondary unwired televisions in cable and satellite households.

⁶ Disney Comments at 1-2 and attached survey summary of New York and Los Angeles markets.

⁷ NAB Comments at 3.

⁸ Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming, Tenth Annual Report, 19 FCC Rcd 1606 (2004) at ¶ 103.

⁹ NAB Comments at 5.

mandate an early end to the DTV transition by some creative misreading of Section 309(j)(14)'s 85% over-the-air DTV tuner penetration requirement, it will be mandating obsolescence for every one of these televisions.

Many of those sets probably were bought in the past few years, before the introduction of the Commission's DTV tuner mandate and during the long phase-in period of that mandate. Before the mandate becomes fully effective, millions more Americans will have acquired – without sufficient notice or warning – what are essentially defective products. The Commission cannot now walk away from that problem and claim caveat emptor when it is the federal agency that has the authority and the responsibility to require truthful labeling of televisions and their capabilities. So the Commission must make provision for those 73 million obsolete television sets that it has allowed to be bought and sold by unsuspecting consumers. The only way the Commission can make amends to the many viewers that have been sold these defective products is to ensure that the DTV transition not end until the 85% threshold – defined to require over-the-air DTV reception capability – is reached in every market.

Of course, Motorola tries to assuage any fears of service disruption or television obsolescence by speculating that by 2008 digital-to-analog converters that currently cost between \$200 and \$300 will cost only \$60 - \$70.¹⁰ Before the Commission allows itself to be led astray by this particular pied piper, however, it should remember that consumer electronics manufacturers have been promising that DTV prices will be

¹⁰ Motorola Comments at 3.

coming down for years now, but they still cost in the neighborhood of five times what a comparable DTV receiver costs. Before the Commission formulates policies regarding analog turn-off, it should have more than Motorola's speculations, particularly when regardless of price, the burden of purchasing DTV equipment will fall heaviest on those poor and elderly persons who have the least wherewithal to afford it.

Many commenters seek to avoid the cost issue by commenting favorably on the idea of providing subsidies and tax credits, but such action is beyond the Commission's power. It would be ridiculous for the Commission to regulate the close of the transition now based on the assumption that Congress will take its recommendation and provide subsidies at some indeterminate point in the future. The Commission is playing with America's television service, and, as Capitol Broadcasting points out, with America's access to public safety and public service information that often is the only available video programming source during natural disasters and similar civil emergencies. When it decides to eliminate over-the-air broadcasting it must do so on the basis of facts – 85% over-the-air DTV tuner penetration – not based on Motorola's promises or the dim future possibility of congressionally-mandated subsidies.

II. THE ONLY WAY TO ENSURE SUFFICIENT DTV TUNER PENETRATION TO END THE DTV TRANSITION IS TO ORDER FULL DIGITAL MULTICAST MUST-CARRY.

Now that the Commission has a clear idea of the vast extent to which many

Americans – and particularly the aged, the underprivileged, and minorities – continue to

depend upon over-the-air broadcasting, the statute gives the Commission little choice

but to concentrate its energy on developing policies that make obtaining over-the-air

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¹¹ Capitol Broadcasting Company Comments at 1-2.

DTV reception capability desirable for consumers. Obviously that means encouraging new DTV services that make over-the-air broadcasting an attractive proposition to television buyers and the only policy initiative likely to encourage the development of such services is full digital multicast must-carry. HDTV has failed to spur consumers' interest, but in this era of sky-high cable rates accompanied by increasingly indecent cable programming, a multichannel over-the-air alternative will likely be exactly the tonic needed to stimulate consumer interest in DTV. But as PCC has explained, multicasting will not happen on a scale sufficient to stimulate consumer interest unless the Commission orders full digital multicast must-carry.

Multicast must-carry is the right policy choice. Multicasting has the potential to transform the market for television services by dramatically increasing the number of channels that are available free over-the-air. Widespread multicasting would ensure increased levels of diversity and localism in broadcast programming, while simultaneously providing viewers with a free multichannel alternative to cable and DBS. Multicasting also would ensure that every market would gain new outlets for diverse programming delivered by licensees who are bound to uphold the standards of decency demanded as a condition of every television broadcast license. Thus, it would give broadcasters an opportunity to move away from attempting to match the increasingly indecent fare offered by cable and DBS and to move towards providing alternative programming to the many viewers that have turned away from television in disgust.

Most importantly for this proceeding, because the increased choice will encourage more viewers to rely on over-the-air DTV broadcasting, multicasting will encourage viewers to buy digital television sets with over-the-air tuners, increasing the

penetration of those receivers towards the 85% necessary to end the DTV transition.

All this would be accomplished while simultaneously reducing tremendously the burden on cable bandwidth at the end of the transition. It's hard to remember a time when the Commission had an opportunity to promote so many interlocking public interests with one action, but multicast must-carry would do it.

At the outset of the transition, the Commission noted that all interested industries, including broadcasters, consumer electronics manufacturers, and cable and satellite MVPDs would be required to participate fully to ensure a smooth and swift transition. Broadcasters have fulfilled their charge by spending hundreds of millions of dollars building out their DTV facilities. The Commission instituted the DTV tuner mandate to ensure that consumer electronics manufacturers do their share. The only industries that have thus far had a pain-free DTV transition are cable operators and satellite providers. It's about time they started doing their part to ensure a smooth DTV transition and to ensure that huge numbers of Americans not lose the television service that they were relying on long before cable operators conceived of the 500 channel universe.

In addition to the sound policy basis for requiring cable and satellite participation in the DTV transition through full digital multicast must carry, their participation is mandated by law! As Congress mandated in the 1992 Cable Act, cable operators must carry every local broadcaster's complete, undegraded over-the-air signal. In the digital world, this means that cable operators must carry multiple program streams of free over-the-air programming. This is a simple matter of statutory construction: Congress gave the Commission discretion only to work out the technical details of how full digital carriage would be achieved; Congress did not give the

Commission the discretion to reduce broadcasters' must-carry rights. The 1992 Cable Act decreed that all local broadcasters' free over-the-air programming would be carried by cable systems; the Commission's only role is to ensure that in the digital world, those same rights obtain. SHVIA is only slightly different on this point: where satellite providers carry any local television signals, they must carry them all, including digital multicast streams. That is the law, and the statutes are perfectly clear.

It's long past time that the Commission assumed the responsibilities given to it by Congress by ordering full digital multicast must-carry. Multicast must-carry is the right choice for viewers; it's the right choice for the over-the-air broadcasting system; and it the right choice for furthering the DTV transition and guaranteeing a bright digital future for all television viewers. Most importantly, IT'S THE LAW. The Commission needs to increase DTV tuner penetration to end the DTV transition and multicast must-carry is the only tool left in the Commission's box capable of doing so. The Commission should use that tool and order full digital multicast must-carry without further delay.

- III. THE COMMISSION'S VOLUNTARY BAND-CLEARING POLICIES STILL OFFER THE BEST CHANCE OF AN EARLY RETURN OF THE 700 MHz SPECTRUM.
 - A. The Commission Long Ago Determined that Voluntary Band Clearing Is the Best Solution for Clearing the 700 MHz Bands.

The Commission sought comment on whether forced band-clearing would be likely to lead to an early return of the 700 MHz spectrum and whether the Commission should suggest to Congress the use of revenue from the 700 MHz auctions to finance the purchase of over-the-air tuners for broadcast-only households. PCC, which owns several stations in the 700 MHz bands, has long opposed forced band-clearing, and the

Commission's policies have been consistent with PCC's view. The Commission long ago realized that completing the DTV transition and 700 MHz spectrum clearing are intimately linked, if not completely inseparable. The Commission tried two years ago to schedule and hold the 700 MHz auctions. PCC backed the Commission every step of the way, assembling the Spectrum Clearing Alliance to bargain with 700 MHz auction winners, encouraging the FCC to hold to its auction schedule, and lobbying Congress around-the-clock to allow the 700 MHz auctions to go on. But those efforts were derailed by a fevered lobbying campaign conducted by a wireless industry that balked at the idea of bidding on the 700 MHz spectrum and negotiating with broadcasters to vacate their channels early. Instead they extracted from Congress the Auction Reform Act of 2002, which indefinitely delayed the 700 MHz auctions and gutted the FCC's regulatory flexibility to grant broadcasters' relocation applications from their 700 MHz channels. PCC and the FCC lost that battle, and the DTV transition suffered a serious blow, but the Commission voluntary band-clearing policies remain in effect and await only an auction to become an effective mechanism for clearing the 700 MHz bands.

If the Commission ordered multicast must-carry in combination with announcing new auction dates, it would augment the Commission's existing voluntary band-clearing policies and give the FCC a new opportunity to clear the 700 MHz band by providing broadcasters on Channels 52-69 with an incentive to move from those channels and become digital broadcasters before the close of the DTV transition. Multicast must-carry could aid 700 MHz band-clearing in two ways. First, if 700 MHz broadcasters could be assured of the multiple revenue streams that full digital multicast must-carry would create, they might be persuaded to negotiate vacating the 700 MHz analog

channels sooner rather than later. Several stations already have requested authority to become single-channel analog broadcasters; if the Commission ordered full digital multicast must-carry, many more broadcasters might explore that option. Second, by helping to make multicast business plans viable, the Commission would encourage all broadcasters to move to DTV more quickly, ensuring that even if the 700 MHz spectrum is not fully cleared before the close of the transition, that date itself will come sooner than is currently expected.

As the law currently stands, the Commission has no authority to move 700 MHz broadcasters from their analog channels before the close of the DTV transition, and 700 MHz broadcasters will strenuously resist any attempt to remove them forcibly. Under these circumstances, the Commission's existing voluntary band-clearing policies continue to be the most straightforward mechanism for achieving band-clearing. The key to the implementation of the Commission's voluntary band-clearing policies is holding the 700 MHz auctions and the consequent creation of new stakeholders in that spectrum. Accordingly, the Commission should be directing its attention to setting dates for the remaining 700 MHz spectrum auctions.

B. The Wireless Commenters in this Proceeding Offer No Justification for Forced Band-Clearing.

Most of the wireless commenters in this proceeding ignore these obvious facts and insist that forced band-clearing is the best way to clear the 700 MHz bands. Their comments, however, are short on logic and long on self-serving analysis and unjustified policy recommendations. As described above, the wireless industry's participation in 700 MHz band-clearing always has been designed to secure a free lunch from the

Commission, gaining all the benefits of the DTV transition while incurring none of the costs. The comments in this proceeding are no exception.

For example, numerous wireless carriers filed comments in strongly supporting the notion of mandatory band-clearing, but just as strongly opposing any requirement that they compensate broadcasters or viewers for the early termination of their television service. Having helped torpedo most of the 700 MHz auctions two years ago (then obtaining at discounted prices the spectrum that actually was auctioned), these wireless carriers come before the Commission again willing to take what the Commission will give but unwilling to play a constructive part in the DTV transition. The Commission would do well to ignore these comments.

Similarly, Motorola argues that over-the-air viewers would not be negatively affected by forced band-clearing. This argument is based on Motorola's assertion that most viewers watch these channels only on cable so the over-the-air spectrum is not really being used. This is false because broadcasters must continuously transmit their signals over-the-air to reach the cable head-ends for the systems that carry their signals and because, as shown in Section I, many stations still have significant over-the-air audiences. PCC, for example, has 700 MHz stations in has several markets where over-the-air viewership makes up a substantial part of its audience. Moreover, many of Univision's Spanish-language stations are in the 700 MHz band, and as described above, its Spanish-speaking audience tends to rely on over-the-air television to a greater extent than other groups.

¹² See, e.g., Comments of North Dakota Network Company.

¹³ Motorola Comments at 4-5.

Moreover, Motorola offers no statistics whatsoever about the intensity of the use of the 700 MHz spectrum that will be made by the new wireless providers for whom Motorola likely will be manufacturing the lion's share of equipment. For example, Motorola suggests that only 3% of the public tunes the over-the-air signal of the average 700 MHz station each week. That estimate is low, but even If true, that would still be over 8 million Americans. How many people currently use the mobile data services that will be offered over the 700 MHz spectrum at any one time? Motorola doesn't say, but that answer still is surely less than 8 million. Like the wireless service providers, Motorola intends to make a handsome profit providing equipment to 700 MHz wireless and public safety users alike. Like the wireless service providers, Motorola would like to make these profits without having to help pay for the DTV transition that is making it all possible. Like the wireless service providers, the Commission should afford Motorola's comments no weight.

Finally, the New America Foundation ("NAF"), a wireless-friendly think-tank, offers the Commission a 9-part plan for completing the DTV transition, much of which concerns issues outside the scope of the Commission's *Notice*. On those issues relevant to this proceeding NAF takes a series of unrelated positions that appear to be designed to antagonize the many 700 MHz broadcasters that serve the public interest everyday and that belie NAF's lack of familiarity with the history and issues presented by the DTV transition and 700 MHz band-clearing. For example, although PCC agrees wholeheartedly with NAF that the Commission should immediately reschedule the 700 MHz auctions, its view that the Media Bureau should accompany this move with a "hard" analog turn-off date of January 1, 2008 ignores statutory directives that would

make such a move blatantly illegal.¹⁴ Moreover, as the discussion above shows, while a hard cutover date might aid the wireless industry in its exploitation of the 700 MHz spectrum, it will severely damage the millions of viewers that continue to rely on overthe-air television, including the service provided by 700 MHz broadcasters.

NAF's ideas go from bad to worse when it bizarrely refers to the FCC's DTV tuner mandate as a "tuner tax" that should be repealed. Cheap rhetorical tricks like calling the tuner mandate a tax might are particularly galling because the consumer electronics industry has spent the last ten years selling Americans soon-to-be-obsolete analog televisions. In NAF's view the tuner mandate is bad – and therefore a tax – because the Commission imposed it, but it's all right for the consumer electronics industry to continue selling products that it knows will not work in the not-too-distant future – and those products will stop working particularly soon if the NAF has its way and the Commission imposes a hard DTV cut-over date.

Finally, NAF devolves into punitive proposals when it suggests that broadcasters' public interest obligations apply equally to all their multicast program streams so that each additional stream that is broadcast must feature additional children's and public interest programming. When NAF's comments are taken as a whole – after it has ignored the public interest in every other respect – this proposal is revealed as a transparent scheme to reduce the economic incentives for multicasting. As shown above, this course would disserve the public interest completely. NAF's proposals are

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¹⁴ NAF appears confused in its filing as to whether it expects Congress or the Media Bureau to institute the 2008 turn-off date. The idea is equally repugnant to the public interest regardless of what NAF intended.

anti-broadcaster and anti-public interest; they are beneath contempt and should be roundly ignored.

CONCLUSION

This is a crucial year for the DTV transition and the Commission has commenced several proceeding to try to get it back on track. The answer to the DTV transition, however, is not gimmicks, but hard work and regulatory courage. If the Commission intends to accelerate the transition and clear the 700 MHz band, strong regulatory action is needed. Accordingly, for the reasons set forth above, PCC respectfully requests that the Commission (1) faithfully construe Section 309(j)(14) to require 85% over-the-air DTV tuner penetration; (2) order full digital multicast must-carry without further delay; and (3) set dates for the remaining 700 MHz spectrum and reaffirm the Commission's existing voluntary band-clearing policies. These three actions would bring the regulatory certainty needed to kick the DTV transition into high gear next year and, with luck, to bring a real DTV transition before the end of this decade.

Respectfully submitted,

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Dated: September 7, 2004